

Interim Report of the  
Senior Tax Credit Task Force  
To the  
Howard County Council

Charge to the Task Force

The initial charge to the Task Force assigned to examine the Senior Property Tax Credit Bill 68-2006 was to evaluate the credit in relation to County master plans, budget, and revenues; recommend changes to the income qualification and the amount of the credit; and make recommendations about any actions the County Council should take in relation to the Bill, the County budget, and the needs of seniors in the County. The Task Force was encouraged to set aside time to take comments from the public.

The Task Force was required to offer an interim oral report to the County Council not later than February 15. The oral report was presented on February 12. The Task Force was further required to make an interim written report to the Council not later than February 22. The Task Force approved this report on February 15, 2007.

The Task Force is further charged with making a final oral report on or before November 14, 2007 and a written final report on or before November 21, 2007. In its final report, the Task Force may make additional recommendations. To accomplish its goal, the Task Force is required, but not limited, to study participation rates and fiscal impacts of the credit during its first year, monitor changes to State law that relate to senior tax policy, review similar credits in other Maryland counties, and solicit diverse viewpoints from officials, experts, and the public.

Process

To accomplish the original mandate and develop an interim report, the Task Force held 8 meetings between January 10 and February 6, 2007. On January 30, the Task Force spent the day visiting seven senior centers to solicit public viewpoints, and held a public hearing that evening. The Task Force also received comments from the public by mail, fax, phone, and email.

All meetings were open to the public and the press. Each meeting was publicized on the County's web site and on the Council's bulletin board. Meeting notices were sent

to the Baltimore Examiner, Baltimore Sun, Columbia Flier, Howard County Times, Laurel Leader, Washington Post, and The View. Meetings were also publicized on GTV.

The Task Force spent much of its time amassing and assimilating information about property taxes, legislation affecting property taxes, population changes, and the cost of the current tax credit. The Task Force reviewed available demographic information about seniors in an attempt to learn how many senior households there are in the county, household income, and the tax burden. The Task Force found that the existing demographic information is vague and burdened with a large degree of uncertainty.

### Demographics

The Task Force looked at how and why the County senior population might change. The Task Force found that, even though some seniors leave Howard County, there is no empirical evidence to demonstrate that property taxes alone cause seniors to leave the area, sell their homes, or default on medical bills. The Task Force heard, anecdotally, that seniors leave the area and establish residency in other regions for many reasons; among them are the cost of living in this large Metropolitan area, and the impact of all sorts of Maryland taxes, for example inheritance taxes, income taxes, and property taxes.

The recent Senior Migration Study, published in June of 2006, stated that between 1995 and 2000 Howard County had an increase in the population of seniors 65 and older. Among the reasons seniors gave for migrating to Howard County were they wanted to return to where they grew up, they wanted to be near grown children who could help them with daily activities, and they wanted to live in a county that offers so many services.

There was a loss in the population of people 55-64. It seems reasonable to assume that they were still in the work force and left for employment opportunities elsewhere. It might also be reasonable to assume that the migration of people caused by BRAC will result in people 55-64 moving into Howard County, reversing the previous

trend, and resulting in a net growth of citizens owning taxable property who might, in the future, qualify for the Senior Tax Credit.

Additionally, it is generally understood that the population of seniors will grow dramatically due to the well advertised aging of the “baby boomers,” and the reality that, in general, people are living longer. Those two facts and the net gains expected from migration indicate that the number of seniors 70 years old and older who will live in Howard County and qualify for the property tax credit will grow significantly.

#### Council Bill 68

Under the provisions of Council Bill 68, the value of the credit compounds at a rate of 5% from a starting point that is 25% less than the previous year’s County tax bill so that, for example, a modest credit of \$500 balloons to \$2000 within 10 years. That kind of increase, coupled with an increase in the senior population, could put a strain on future County budgets and might result in needing to curtail services or preclude making needed capital expenditures.

The Task Force also notes that the credit enacted by CB 68 is legally flawed. A January 24, 2007 letter of advice from the Maryland Attorney General's Office indicated that, insofar as CB68 freezes taxes, "it is inconsistent with the Uniformity Clause of the Maryland Constitution." The Task Force believes that it would not be prudent to ignore the Attorney General’s opinion.

#### Issue

In public testimony, many seniors stated their belief that they should have a reduction in property taxes or, indeed, pay no property tax at all, because they were no longer a major expense to the community -- they use roads less, are not likely to cause crime, and have no children in school. Many fervently believe that property taxes would be smaller if spending was not “out of control.” They believe all Departments, Offices, and Agencies of the County, particularly the School Board, should eliminate waste and operate on tighter budgets, and that doing so would enable the County to lower taxes for everyone.

Unquestionably, there are people on fixed, or nearly fixed, incomes that, because of a booming real estate market, have seen the values of their properties and their tax assessments increase at unprecedented rates. Some face property taxes that have grown out of proportion to their ability to pay.

### Findings

The Task Force notes that there are other tax relief measures available to some seniors including the Homeowners' Tax Credit. Although there are no studies that show participation rates for any tax credit, almost every member of the Task Force was struck by the almost total lack of knowledge among seniors of available tax relief programs.

The Task Force considered whether the credit should be made progressive so that the poorest taxpayers would receive a larger credit. It felt that to do so would complicate the program. The Task Force opted for simplicity until it is able to more carefully study the interplay between the credit it is recommending and other credits, including the Homeowners' Tax Credit. Another factor in the decision to not recommend a progressive tax was a concern that a progressive tax might run into legal problems with the Uniformity Clause of the Maryland Constitution.

The Task Force noted that the senior tax credit, unlike the Homeowners' Tax Credit, lacks an asset test. The Task Force noted that, in most cases, assets can be used to generate income. Also, certain assets, such as agricultural land and conservation land, are already given favorable tax treatment. The Task Force is aware that State Law allows for limited modifications to a property for medical reasons; however, further study may be needed to determine if the limits are appropriate.

There are other issues the Task Force will want to explore: portability, progressivity, integration with other property tax credit programs, whether legislation now before the General Assembly is enacted, determination of the population of seniors who need relief, and other issues that might affect the County budget. In subsequent meetings, the Task Force will begin to catalogue its interests and make plans to acquire sufficient information to give meaning to its final report in November.

### Recommendations

To sharpen the focus for this Interim report, the Task Force adopted the following language.

The purpose of the senior property tax credit is to provide relief from higher property taxes to those citizens 70 years old or older who are least able to afford an increase in property taxes.

In keeping with that purpose statement the Task Force makes 8 recommendations.

1. The current bill should be repealed. A new bill for seniors 70 and older should be enacted that incorporates recommendations 2 through 8 below.

2. The income test should be set at 400% of the most recent federal poverty level for a household of 2.

3. The credit should be a percentage of the County property tax for the year in which the credit is sought.

4. The credit should be 25% of the County tax.

5. The credit provided by this bill should be applied after the Homestead Tax Credit is applied and should make up any difference between (a) the sum of all other property tax credits available to that taxpayer and (b) the amount that this credit would be if there were no other credits.

6. The exclusion of "substantial improvements" from the property tax should be retained.

7. There should be an asset test that should be the same as the asset test under the State Homeowners' Property Tax credit.

8. All taxpayers should be made aware of all available credit programs by including information with all County tax bills. The Council, by Resolution, should ask that persons who prepare income tax returns be able to make their clients aware of available property tax credits. The Council, by Resolution, should ask the County Executive to instruct the Department of Citizens Services and the Office on Aging to develop an outreach program to educate citizens about available property tax credits.

## Participants

### Members

Janice Bloodworth, appointed by Council member Watson from District 1

Randall Nixon, appointed by Council member Fox from District 5

Sue Brown, appointed by Council member Sigaty from District 4

Colin Burke, appointed by Council member Ball from District 2

Curt Curtis, appointed by Council member Terrasa from District 3

Pat Dornan, the Howard County Taxpayers Association.

Susan Buswell, the Howard County Chapter of the League of Women Voters

Frank Chase, the Association of Community Services

Peter J. Rogers, the Howard County Economic Development Authority

Joel Yesley, the Howard County Citizens Association

Don Dunn, the Commission on Aging

Ted Meyerson, the Commission on Aging

Sara Hamer, the Office on Aging

Sherman Howell, the Office on Aging

The Task Force includes 2 non-voting members from County government:

Ron Weinstein, the Budget Director

Sharon Greisz, the Director of the Department of Finance.

### Staff

We would like, in particular, to thank

Jeff Meyers, County Council staff, for doing everything very well

Jeff Bronow, Department of Planning and Zoning, for demographic information

Lynn Robeson, Office of Law, for legal guidance

Leo Oken, Auditor's Office, for help with analysis

Diana Coll, County Council staff, for efficient and thoughtful administrative support

Those who participated in the Task Force are to be commended. They worked diligently, under a tight time schedule to make this Interim report possible. Without their dedication and the outstanding staff support that was made available to it, the Task Force could not have achieved its goal of completing this interim report. To each and everyone, thank you!

Submitted by:

Ted Meyerson

Task Force Chairman